TECHNOLOGIES BW

Annual Report

For the year ended April 30, 1997

Oil and Gas

Combustible gases and hydrogen sulfide poisoning are a constant danger in both upstream and downstream operations. Portables, 4-20 mA fixed systems and stand alone detectors and systems provide safety in drilling operations, production facilities, and refineries.

Pulp and Paper

A wide variety of detection equipment is used to provide community/environmental exposure protection and personnel protection from the hazards of chlorine, chlorine dioxide, hydrogen sulfide, sulfur dioxide and ammonia.

Waste Water Treatment

Municipal and industrial treatment plant workers require personnel protection from the hazards of hydrogen sulfide, combustible gases, oxygen deficiencies or abundance, carbon monoxide and chlorine.

Utilities

Working in underground and confined spaces, particularly during electric wiring splitting activities, utility workers are exposed to the hazards of carbon monoxide, combustible gases and oxygen deficiency.

Marine/Shipping

Ship's personnel encounter combustible gases and oxygen deficiency hazards when entering confined spaces below deck. The Toxyclip is the US Coast Guard instrument of choice.

Toxic Spills

Emergency response teams must deal with all toxic gas hazards, as well as combustible gases/vapors and oxygen hazards. A full range of portable detectors and transportable fixed systems is needed to deal with situations they encounter.

Fire Rescue

Firefighters use multi-gas detectors for protection from carbon monoxide, oxygen deficiency and combustible gases/vapors threats in confined space and rescue operations.

Home Safety

Carbon monoxide, the silent killer, is a major threat to safety in the home. The market for residential protection is growing worldwide.

Municipalities

Personnel protection is needed by almost all departments from the hazards of hydrogen sulfide, carbon monoxide, combustibles and oxygen deficiency and enrichment, particularly in confined space work.

Chemical

A wide variety of toxic gases are encountered in chemical plants. The hazards are dependent on the type of chemical plant. As well, combustible detectors are required during maintenance for Hot Work Permits.

Steel Plants

Fixed systems and multi-gas detectors provide carbon monoxide, oxygen deficiency, combustible gases and hydrogen chloride protection. Continuous Stand Alone detectors are used for confined space welding.

Mining

Fixed systems and personal portables provide protection from the hazards of hydrogen cyanide, hydrogen sulfide, carbon monoxide, combustible gases and vapors, oxygen deficiency, ammonia and sulfur dioxide.

Features

Gas Detection of combustible gases, toxic gases and oxygen hazards is vital for the safety and protection of workers, their facilities and the public. Regulation and increased liability issues provide impetus to constantly expand and upgrade gas detection safety.

ASTech: Outstanding Commercial Achievement in Science & Technology

EIAA: Electronic Industry Association Award for Best New Technology

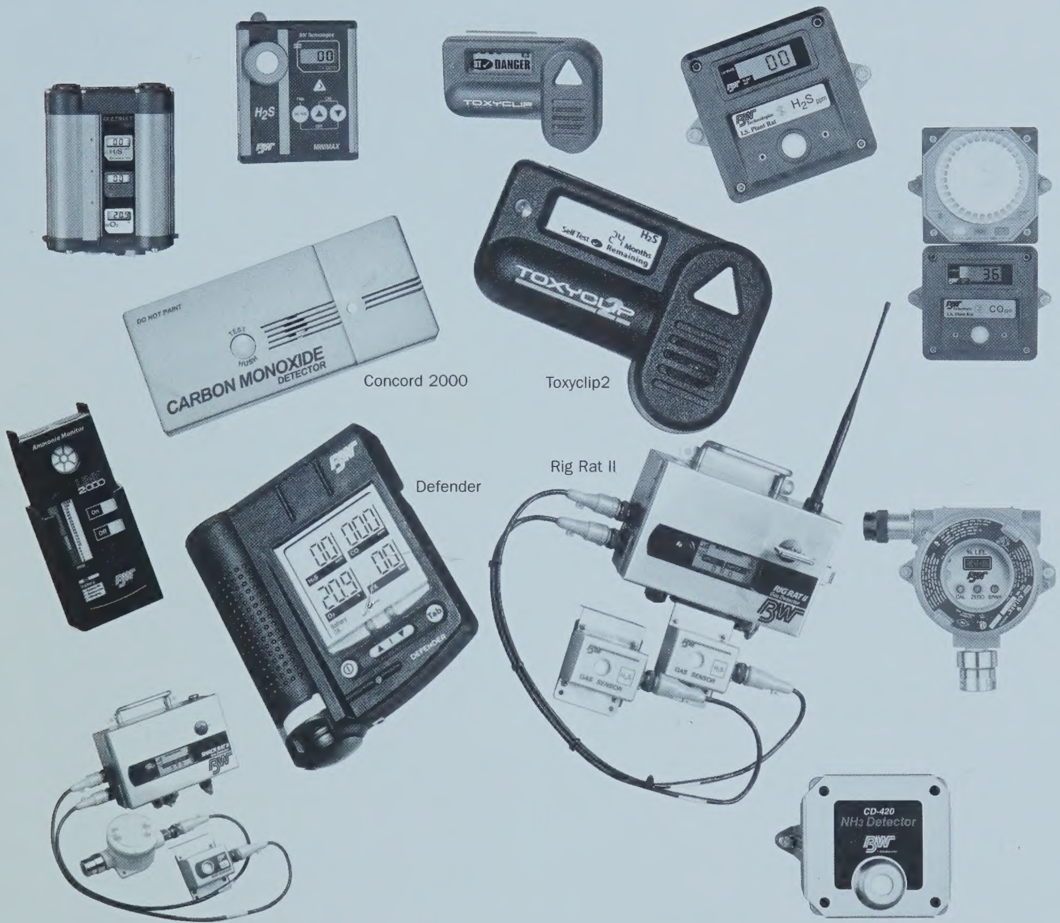
Science and Technology Canada Certificate of Merit: Entrepreneur-ship in Industry

Grand Prix SAWO '95 for BW's Toxyclip.

BW Technologies

TECHNOLOGIES BW

"INNOVATORS IN GAS DETECTION"



BW TECHNOLOGIES IS A WORLD LEADER IN DEVELOPING HIGH-TECHNOLOGY, GAS DETECTION INSTRUMENTATION FOR PERSONNEL AND FACILITY SAFETY.

NORTH AMERICAN SALES FOR PORTABLE AND FIXED SYSTEMS ARE DIRECTED TO A $450 MILLION POTENTIAL MARKETPLACE. WORLD MARKETS EXCEED $1 BILLION.

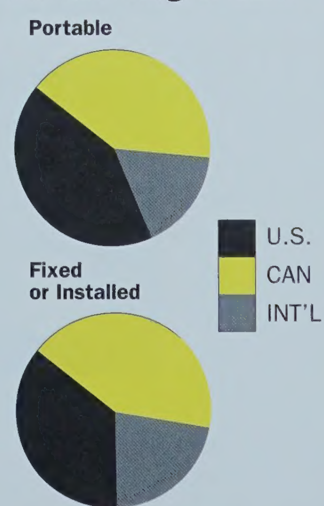
PORTABLE/PERSONAL DETECTORS

The $500 million dollar portable gas detection industry is regulation driven. Safety standards require companies to provide hazardous gas detection instruments for workers in industries such as oil and gas, utilities, waste water, and pulp and paper. These instruments are used regularly and replaced every two to three years.

FIXED MONITORS FOR INDUSTRY

The industrial plant fixed monitoring industry market is also $500 million worldwide. Fixed systems are purchased and installed when new plants are constructed or when old facilities are modernized.

BW Technologies Sales



President's Message

To our Shareholders.

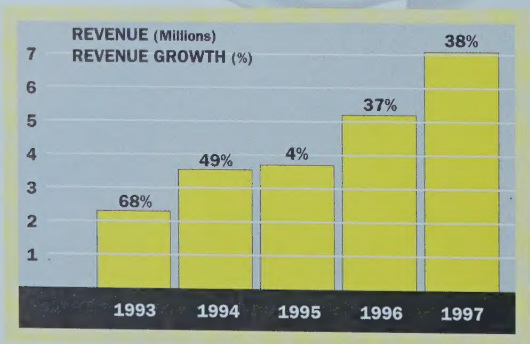
We are pleased to present our first annual report as a Public Company. BW Technologies has maintained its record of outstanding growth, with a revenue increase in fiscal 1997 of 38%, and is poised for an exciting future.

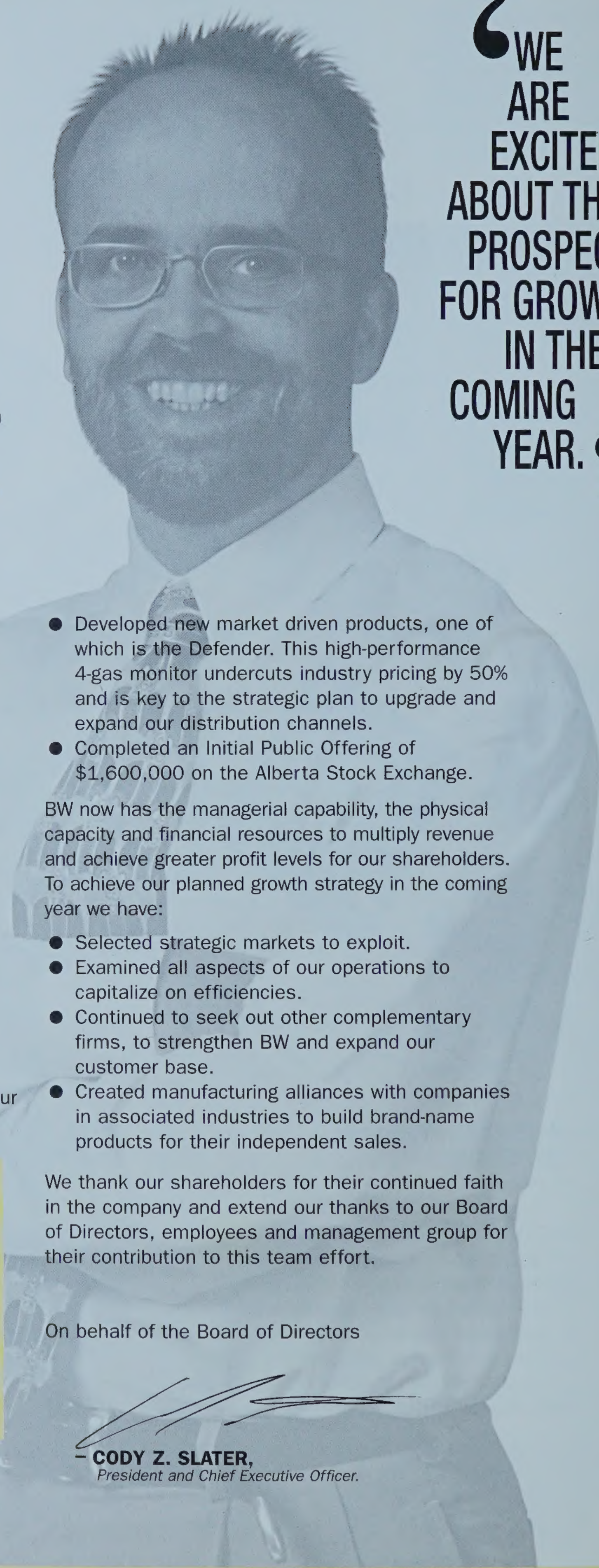
BW Technologies has an established reputation as an industry leader in product innovation and development. However, we recognized that BW required stronger marketing and production capabilities. With this goal in mind, we have strengthened our marketing and production departments to levels that meet or surpass our strongest competitors.

The gas detection industry is relatively young. I believe the next few years will be a period of industry consolidation with dominant firms emerging. BW Technologies intends to be one of those firms.

Progress has accelerated during the past year with some of our achievements being:

- Sought out and brought on board industry professionals in production, marketing and sales. Invested those people with the opportunity and responsibility to advance the company's performance.
- Acquired ESI (Engineering for Science and Industry Limited) of Oxfordshire, England. ESI designs and manufactures fire and shutdown control panels.
- Attracted new engineering staff to strengthen our product development team.





"WE ARE EXCITED ABOUT THE PROSPECTS FOR GROWTH IN THE COMING YEAR."

- Developed new market driven products, one of which is the Defender. This high-performance 4-gas monitor undercuts industry pricing by 50% and is key to the strategic plan to upgrade and expand our distribution channels.
- Completed an Initial Public Offering of $1,600,000 on the Alberta Stock Exchange.

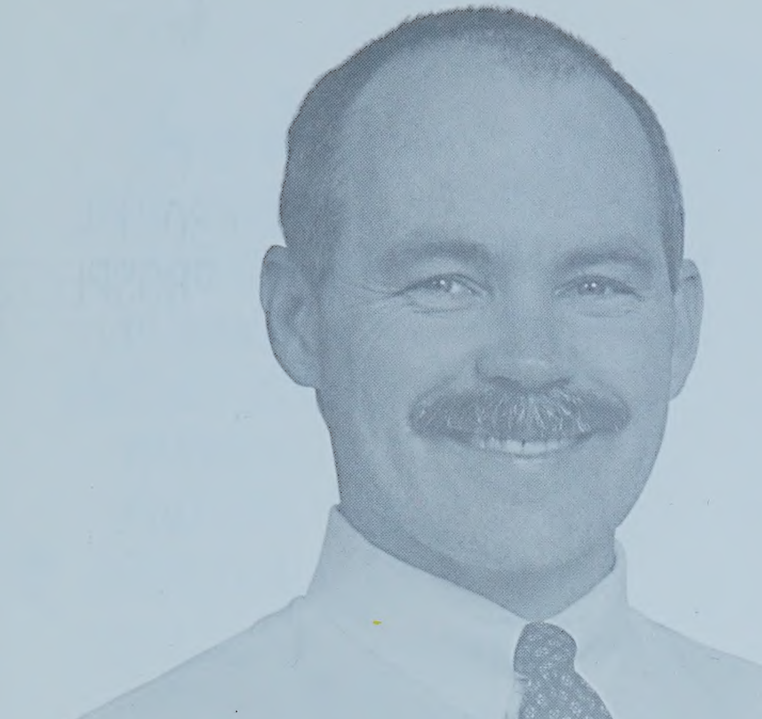
BW now has the managerial capability, the physical capacity and financial resources to multiply revenue and achieve greater profit levels for our shareholders. To achieve our planned growth strategy in the coming year we have:

- Selected strategic markets to exploit.
- Examined all aspects of our operations to capitalize on efficiencies.
- Continued to seek out other complementary firms, to strengthen BW and expand our customer base.
- Created manufacturing alliances with companies in associated industries to build brand-name products for their independent sales.

We thank our shareholders for their continued faith in the company and extend our thanks to our Board of Directors, employees and management group for their contribution to this team effort.

On behalf of the Board of Directors

– **CODY Z. SLATER,**
President and Chief Executive Officer.



"TO REACH $50 MILLION IN SALES WITHIN 3 YEARS."

– Bryan Bates,
Executive Vice President and Chief Operating Officer

Bryan Bates, with over twenty years of industry experience, joined BW in July 1996. Bryan has held senior positions with competitor companies Lumidor, Sieger and General Monitors.

In the past year we at BW Technologies have:

- Increased sales by 38%
- Brought on board a team of experienced BW Sales Regional Managers and established a network of manufacturers' representatives to aggressively sell, promote and support BW products through distribution.
- Increased effective sales distribution through a focused sales strategy and targeted advertising. We intend to increase our emphasis on distributors to gain greater exposure and market share. The DEFENDER, aggressively priced, will be the flagship product in capturing established distributors.

United States distributors

In fiscal 1998, BW Technologies will:

- Continue to supersede the competition with innovative, technology-driven products such as:

DEFENDER - a multi-gas detector designed with Black & Decker's VersaPak batteries and City Technologies' sensors for the detection of oxygen, carbon monoxide, hydrogen sulfide and explosive gases. It is priced significantly below the cost of the nearest competitive product.

TOXYCLIP2 - the only intelligent, disposable, maintenance-free personal gas alarm featuring a two-year life.

RIG RAT II - the world's only wireless Stand Alone multi-point gas detection system. Rig Rat II provides leading edge protection at dramatically reduced installation costs. The Rig Rat series has been in production for over ten years.

- Continue to strategically promote BW Technologies' products in major industrial trade shows, publications and the Internet.

Manufacturing & Service

> “With substantial growth, achieve 100% on-time delivery to our customers.”
>
> – Don Mitchell, *Director, Operations.*

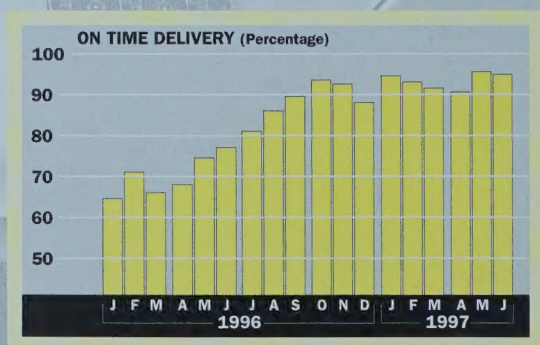
Don Mitchell, was appointed Director, Operations in 1995. Don joined BW Technologies following successful international careers with such firms as Mitel, Motorola, Novatel and LSI Logic.

Quality, productivity and cost efficiency have dramatically improved due to the implementation of new programs.

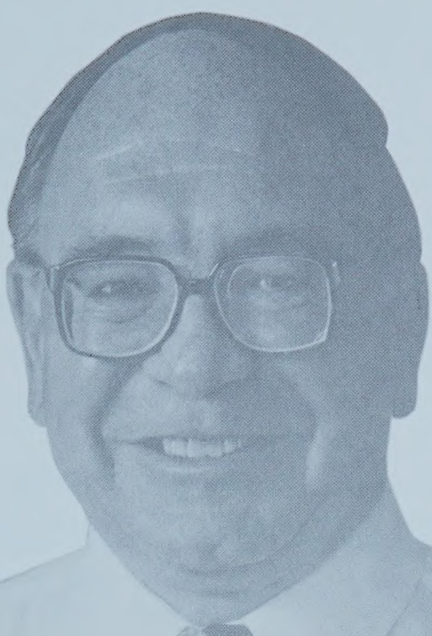
- Conversion of cell production to manufacturing lines.
- Institution of a KanBan (2-bin) Inventory system, MRPII (Integrated Materials Requirements System), and EDI (Electronic Data Interchange ordering system) cuts costs and processing time, provides tighter control and inventory accuracy.
- Measured quality programs have been expanded and improved at all manufacturing stages: IQC (Incoming Quality Control), Printed Circuit Board testing, In Line sub-assembly tests and Final Inspection.
- Process control, time analysis and production flow studies provide improved response to the customer.
- Full Documentation Control Department gives 100% control over all drawings, bills of materials and specifications.

Our current on time delivery to our customers against promised delivery date is running greater than 95%. Combine this with a 72 hour turn around time in the service department and we are able to satisfy the needs of customers worldwide.

BW will continue to introduce improvements in operations. ISO 9001, SPC (Statistical Process Control), component traceability and shop floor control are some our goals for the coming year while maintaining and improving upon current programs.



Finance & Accounting



> **"To maximize shareholder value through managed growth."**
>
> – Tom Jones
> *Senior Vice President and Chief Financial Officer*

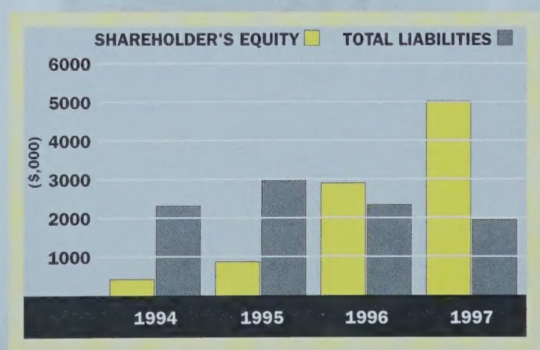
Tom Jones is a Chartered Accountant with broad experience in domestic and international financial management. He joined BW Technologies in 1991.

Financial Condition

The company's cash position amounted to $574,839 at year end. In addition, up to $2,000,000 is available under a bank operating line of credit depending upon accounts receivable and inventory levels. These resources will be adequate to handle anticipated growth and product development programs.

- Trade accounts receivable (government receivables and prepaids excluded) amounted to $1,473,474 at April 30, 1997 as opposed to $1,118,968 at April 30, 1996. Fourth quarter revenues were $2,327,363 in 1997 and $1,407,682 in 1996. This means that average days outstanding on trade accounts receivable have been reduced to 57 days from 72. One reason for this is that the company now sells through larger, more financially responsible distributors. The other is a more aggressive receivables collection policy.
- Accounts payable are $484,257 higher than last year. The increase results primarily from a large profitable project carried out by ESI which created a level of payables that was disproportionately high.
- Working capital at April 30, 1997 amounted to $3,124,828 as compared to $2,006,642 at April 30, 1996.
- The ratio of bank loans and term debt to equity improved to .07 at the end of 1997 from .43 in 1996.
- The ratio of net tangible assets to total liabilities was 1.90 at April 30, 1997 as compared to .95 at April 30, 1996.

While the company incurred a loss in 1997 and generated a profit in 1996 the opposite situation prevails with respect to cash flow. $479,000 of cash was generated by operations during the year ended April 30, 1997 while $178,000 was consumed in 1996 mainly because of increases in accounts receivable and inventory levels.



Results of Operations

1997 consolidated sales amounted to $7,030,318 an increase of $1,949,741 over the 1996 figure of $5,080,577. Approximately $1.1 million of the increase was attributable to growth in sales of the Toxyclip and the newly introduced Minimax. Portable instrument revenues contributed about 50% of the Company's overall revenues. Sales of fixed systems also increased as the Rig Rat II and Shack Rat II generated approximately $250,000 of revenue when they became available in the final three months of the fiscal year.

The Company has appointed staff to deal with gas detection markets outside of North America. The results have been impressive as sales in these markets have more than tripled. Total exports of fixed and portable monitors increased to $3,480,000 from $2,775,000 in 1996.

Gross margins on sales were virtually the same at 38.9% in 1997 and 38.2% in 1996. Inventory was reduced by approximately $90,000 during 1997 despite higher sales volumes. Inventory turned 1.74 times in fiscal 1997 as opposed to 1.34 times in 1996. Efficiencies have been built in to the manufacturing and purchasing processes in order to reduce inventory requirements. Inventory levels will now increase at a significantly lower level than sales due to these efficiencies and reduced parts requirements.

The Company acquired Engineering for Science and Industry Limited (ESI) a United Kingdom manufacturer of integrated fire and shutdown control panels in February 1997.

The ESI acquisition has created excellent synergies within the Company in both product design and marketing as ESI's customer base and technology are closely related to that of BW. In addition, BW's financial support has enabled ESI to carry out large projects such as a $500,000 project for the design and fabrication of a fire protection and emergency shutdown control system for the Kuwaiti National Petroleum Corporation. This was successfully completed by year end.

Product development expenditures amounted to $699,000 during the year. Equipment designed and prototyped included the Rig Rat II, the Shack Rat II, the Concord 2000, the Defender and the Toxyclip2. All of these products have since been successfully introduced to markets.

Commencing in 1995, costs associated with product development have been deferred and amortized over the following three years. Accordingly, $253,044, which is one third of the costs incurred in 1995 and 1996, is written off in the present year.

The increase of $878,367 in selling general and administrative expenses was primarily due to the Company's increased sales and marketing activities and a complete overhaul of its distribution system. Sales salaries and commissions, travel, trade shows, product literature and advertising accounted for approximately $450,000 of the increase.
The remaining additional costs were caused by increased general corporate expenses and the consolidation of ESI's operating results.

AUDITORS' REPORT

August 8, 1997

To the Shareholders of BW Technologies Ltd.

We have audited the consolidated balance sheet of **BW Technologies Ltd**. as at April 30, 1997 and the consolidated statements of income, deficit and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Price Waterhouse

Chartered Accountants

Consolidated Balance Sheet

	As at April 30, 1997	1996
Assets		
Current assets		
Cash and cash equivalents	**$ 574,839**	$ 16,540
Accounts receivable *(Note 5)*	**1,929,186**	1,531,467
Inventory *(Note 6)*	**2,424,927**	2,514,367
	4,928,952	4,062,374
Other assets	**206,203**	27,396
Deferred product development costs	**1,347,846**	678,762
Capital assets *(Note 7)*	**612,012**	551,777
Goodwill *(Note 3)*	**148,921**	–
	$ 7,243,934	$ 5,320,309
Liabilities		
Current liabilities		
Operating loan *(Note 8)*	**$ –**	$ 754,274
Accounts payable and accrued liabilities	**1,614,000**	1,129,743
Current portion of long-term debt *(Note 9)*	**184,899**	171,715
Income taxes payable	**5,225**	–
	1,804,124	2,055,732
Long-term debt *(Note 9)*	**184,346**	324,126
	1,988,470	2,379,858
Shareholders' Equity		
Share capital *(Note 10)*	**6,330,832**	3,704,035
Deficit	**(1,075,368)**	(763,584)
	5,255,464	2,940,451
	$ 7,243,934	$ 5,320,309

Commitments and contingency (Notes 5, 12 and 13)

Approved by the Board Director Director

Consolidated Statement of Income

	Year ended April 30	
	1997	1996
Sales	**$ 7,030,318**	$ 5,080,577
Cost of sales	**4,296,582**	3,137,592
Gross margin	**2,733,736**	1,942,985
Expenses		
Selling, general and administrative	**2,531,033**	1,652,666
Amortization of product development costs	**253,044**	80,397
Interest on long-term debt	**6,701**	13,943
Interest on operating loan	**36,632**	77,944
	2,827,410	1,824,950
Income (loss) before the following	**(93,674)**	118,035
Income taxes	**(11,206)**	(2,577)
Net income (loss) for the year	**$ (104,880)**	$ 115,458
Earnings (loss) per common share *(Note 2(e))*	**$ (0.10)**	$ 0.01

Consolidated Statement of Deficit

	Year ended April 30	
	1997	1996
Deficit, beginning of year	**$ (763,584)**	$ (773,794)
Net income (loss) for the year	**(104,880)**	115,458
Preferred share dividends	**(206,904)**	(65,954)
Preferred share issue costs	**–**	(39,294)
Deficit, end of year	**$ (1,075,368)**	$ (763,584)

Consolidated Statement of Changes in Financial Position

	Year ended April 30 1997	1996
Cash provided by (used in) operating activities		
Net income (loss) for the year	$ **(104,880)**	$ 115,458
Add non-cash items		
Depreciation	**157,401**	136,906
Amortization of product development costs	**253,044**	80,397
Amortization of other assets	**13,692**	13,692
	319,257	346,453
Net change in non-cash working capital items	**159,327**	(524,737)
	478,584	(178,284)
Cash provided by (used in) financing activities		
Operating loan	**(828,235)**	(385,811)
Long-term debt	**(175,726)**	(207,169)
Issue common stock, net of issue costs	**2,494,885**	1,276,759
Issue preferred shares - Series 1	**–**	749,963
Issue preferred shares - Series 2	**–**	1
Preferred share issue costs	**–**	(39,294)
Preferred share dividends	**(74,992)**	(65,954)
Product advances	**–**	(150,000)
	1,415,932	1,178,495
Cash provided by (used in) investing activities		
Purchase of capital assets	**(188,163)**	(237,080)
Additions to deferred product development costs	**(698,747)**	(392,866)
Purchase of ESI Limited *(Note 3)*	**(256,808)**	–
Purchase 50% of Wolverine Technologies Ltd. shares *(Note 4)*	**–**	(358,633)
Increase in other assets	**(192,499)**	–
	(1,336,217)	(988,579)
Increase (decrease) in cash	**558,299**	11,632
Cash, and cash equivalents, beginning of year	**16,540**	4,908
Cash, and cash equivalents, end of year	$ **574,839**	$ 16,540

Notes to Consolidated Financial Statements

April 30, 1997

1 Basis of presentation

The accounts of BW Technologies Ltd. ("the Company") and its wholly-owned subsidiaries, BW Technologies Inc., Wolverine Technologies Ltd., Engineering for Science and Industry Limited and Electronics for Science and Industry Limited have been consolidated in these financial statements. The latter two companies are collectively referred to as "ESI".

2 Accounting policies

a) Inventories
Inventories are stated at the lower of cost (first-in, first-out) or net realizable value.

b) Product development costs
Research costs are charged to income as incurred. Product development costs, which meet specified criteria related to technology, market and financial feasibility, are deferred and amortized over a period of three years, commencing in the year following the year the costs are incurred.

c) Capital assets
Capital assets are stated at cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset as follows:

Manufacturing, office and laboratory equipment	10 years
Computer hardware	5 years
Sales demonstration and customer service equipment	5 years
Computer software	3-5 years
Leasehold improvements	Over the lease term

d) Goodwill
Goodwill is recorded at cost and will be amortized on a straight-line basis over 10 years. The goodwill will be reviewed annually for impairment by reviewing related operations.

e) Earnings per share
Earnings per share is calculated after deduction from income of preferred share dividends, and using the weighted average number of common shares outstanding for the year - 2,762,734 (1996 - 1,587,085).

f) Revenue recognition
Revenue is generally recognized upon shipment of products to customers. Contracted production revenue is recorded by the percentage of completion method of accounting.

g) Foreign currency
Transactions denominated in foreign currency are translated at the monthly average rate with balances at year end being translated at the year end exchange rate.

Notes to Consolidated Financial Statements (cont.)

3 Acquisition of Engineering for Science and Industry Limited

Effective February 1, 1997, the Company acquired all of the outstanding shares of ESI, a designer and manufacturer of integrated fire and shutdown control panels. The transaction was accounted for as a purchase and was effected as follows:

Issuance of 25,158 common shares	$	57,071
Cash payments		52,818
Net debt assumed and expenses of acquisition		146,919
	$	256,808

Assets acquired and liabilities assumed were:

Goodwill	$	148,921
Deferred product development		223,381
Capital assets		29,473
Operating loan		(73,961)
Long-term debt		(49,130)
Working capital deficiency including cash and operating loan		(21,876)
	$	256,808

Up to 43,846 common shares are to be issued to certain officers and former shareholders of ESI on the condition and to the extent that certain profitability targets for ESI are exceeded.

4 Acquisition of Wolverine Technologies Ltd.

Effective November 30, 1995, the Company acquired the 50% interest in Wolverine Technologies Ltd. that it did not previously own. The purchase was effected by a cash payment of $359,024, of which $358,633 was attributable to the following non-cash items:

Working capital	$	206,733
Deferred product development		125,103
Capital assets		26,797
	$	358,633

5 Accounts receivable

Accounts receivable includes $262,141 (1996 - $313,079) recoverable from the Government of Canada under the Scientific Research & Experimental Development Incentive Program. Realization is subject to government acceptance of the claims. Accounts receivable also includes $193,571 (1996 - $99,420) of prepaid expenses and deposits.

6 Inventory

	April 30	
	1997	1996
Parts	**$ 1,502,675**	$ 1,437,030
Sub-assemblies	**325,404**	543,258
Work-in-progress and finished goods	**596,848**	534,079
	$ 2,424,927	$ 2,514,367

7 Capital assets

	April 30			
		1997		1996
	Cost	Accumulated depreciation	Net book value	Net book value
Manufacturing equipment	$ 494,778	$ 267,996	$ 226,782	$ 198,780
Sales demonstration equipment	336,092	120,504	215,588	227,666
Office equipment	129,617	117,138	12,479	12,871
Customer service equipment	98,923	49,171	49,752	62,510
Computer hardware	154,992	107,143	47,849	34,795
Computer software	53,374	11,745	41,629	11,930
Laboratory equipment	38,420	23,201	15,219	1,794
Leasehold improvements	7,612	4,898	2,714	1,431
	$ 1,313,808	$ 701,796	$ 612,012	$ 551,777

8 Operating loan

Operating loan balances are payable on demand and are secured by a general assignment of Canadian book debts, inventory and a General Security Agreement providing a general charge on all assets of the Company. The loan bears interest at prime plus 1% and, subject to collateral requirements, is available to a maximum of $2,000,000. During the year the operating loan was repaid in full, however the Company still retains this facility.

9 Long-term debt

	April 30	
	1997	1996
Bank loan (i)	**$ 30,666**	$ 40,611
Bank loan denominated in British pounds (£20,679) (ii)	**46,941**	–
Capital leases (iii)	**27,873**	38,248
Western Economic Diversification loan (iv)	**263,765**	416,982
	369,245	495,841
Less: Current portion	**184,899**	171,715
	$ 184,346	$ 324,126

Long-term debt is repayable as follows:

1998	$ 184,900
1999	110,123
2000	67,319
2001	6,903
	$ 369,245

(i) The bank loan bears interest at prime plus 1.75% and is secured by a chattel mortgage on specific assets. It is repayable in monthly installments of $829 to May 30, 2000.

(ii) The bank loan bears interest at 3.5% over the UK Base Rate and is secured by a fixed and floating charge over the assets of ESI. It is repayable in monthly installments of $1,135 to July 31, 2000.

Notes to Consolidated Financial Statements (cont.)

(iii) Capital leases bear interest of 11.76%, are repayable in blended monthly installments varying from $383 to $785 and mature from May 1999 to July 1999.

(iv) The Western Economic Diversification loan is unsecured and does not bear interest. It is repayable at the rate of $6,000 per month with additional repayments required in the event quarterly revenues exceed certain levels and upon receipt of cost recoveries under the Canadian Scientific Research and Experimental Development Incentive Program. The maximum total of all repayments during each year ended April 30 is limited to $150,000. The entire loan is to be repaid not later than May 1, 2000.

10 Share capital

Authorized
Unlimited common shares and unlimited preferred shares issuable in series at the discretion of the directors of the Company.

Issued	Number	Amount
Common shares		
Issued at April 30, 1995	1,424,790	$ 1,677,312
Issued on January 31, 1996	660,000	1,276,759
Balance, April 30, 1996	2,084,790	2,954,071
Issued on July 31, 1996	399,990	769,981
Issued on September 19, 1996	2	4
Issued on September 19, 1996 (stock dividend)	16,230	32,460
Issued on September 24, 1996	100,000	192,500
Issued January 30, 1997:		
Conversion of preferred shares	500,066	749,963
Stock dividend	49,726	99,452
Exercise of warrants	7,500	14,438
Private placement	90,783	173,440
Initial public offering	800,000	1,286,252
February 27, 1997 (exercise of stock options)	600	1,200
April 30, 1997 (purchase of ESI)	25,158	57,071
Balance April 30, 1997	4,074,845	6,330,832
Series 1 Preferred shares		
Issued on July 7, 1995	42,855	749,963
Balance, April 30, 1996	42,855	749,963
Converted to common shares, January 30, 1997	(42,855)	(749,963)
Balance, April 30, 1997	–	–
Series 2 Preferred shares		
Issued on January 31, 1996	132	1
Balance, April 30, 1996	132	1
Redeemed January 30, 1997	(132)	(1)
Balance, April 30, 1997	–	–
Balance, April 30, 1996		$ 3,704,035
Balance, April 30, 1997		$ 6,330,832

Stock Split On September 25, 1996, preceding the Initial Public Offering, the Directors determined that each common share was to be divided into 10 common shares. The number of shares in issue have been restated to reflect this event.

Exercise of warrants On July 31, 1996, 399,990 warrants (on a post split basis) for the purchase of common shares were exercised at a price of $1.925.

Share issue On September 24, 1996 100,000 common shares were issued to an officer of the Company under a company share option scheme for a total consideration of $1. The amount of $192,500 recorded is the estimated fair value of such shares at issuance.

Initial Public Offering On January 30, 1997, the Company successfully completed an Initial Public Offering ("IPO") of 800,000 common shares at a price of $2.00 per share. As a part of the IPO the holders of the Series 1 preferred shares agreed to convert their Series 1 preferred shares to common shares. Also as part of the IPO, the Series 2 preferred shares were redeemed for $0.01 per share, together with all accrued and unpaid stock dividends.

Common share purchase warrants outstanding
400,000 warrants exercisable at the following prices:

To August 31, 1998	$2.30
From September 1, 1998 to August 31, 1999	$2.50
From September 1, 1999 to August 31, 2000	$2.75
From September 1, 2000 to August 31, 2001	$3.00

Common share options outstanding
(i) 178,072 exercisable by the President and Chief Executive Officer at a price of $2.00 per share vesting over a three year period commencing January 30, 1997. The options expire on October 25, 2001.
(ii) 175,900 exercisable by other employees at a price of $2.00 per share. Approximately 20% of the shares have vested and an additional 20% are exercisable on October 25, 1997, 1998, 1999 and 2000. The options expire on October 25, 2001
(iii) 20,000 exercisable by outside directors at a price of $2.00 per share until October 25, 2001.
(iv) 80,000 held by the agents who led the Company's IPO. These are exercisable at a price of $2.00 per share and expire on January 30, 1999.

Two officers of Wolverine Technologies Ltd. hold options to purchase a 9.1% interest in that company. The options are exercisable to August 1, 1998 for a total price of $5,000. In addition, at the time of exercise, the option holders are required to loan Wolverine Technologies Ltd. an amount equal to 10% of shareholder loans then outstanding.

11 Geographic segments

	Canada(ii)	Europe	Consolidated
Sales to customers outside the enterprise	$ 6,439,514	$ 590,804	$ 7,030,318
Operating margin	2,198,043	282,649	2,480,692
Selling, general and administrative expenses			(2,531,033)
Interest expense			(43,333)
Income taxes			(11,206)
Net loss			(104,880)
Identifiable assets	5,624,501	1,026,567	6,651,068
Corporate assets			592,866
Total assets			$ 7,243,934

(i) The Company had no reportable geographic segments in 1996.

(ii) Canadian operations include export sales of $3,480,858 (54% of sales) and export sales amounted to $2,774,656 (55% of sales) in 1996. Exports were primarily to the United States in both years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

12 Commitments

At April 30, 1997, the Company had lease commitments totalling $979,794 payable as follows:

1998	$ 256,990
1999	$ 243,653
2000	$ 221,993
2001	$ 205,927
2002	$ 51,231

13 Contingency

The Company is one of numerous parties named in two legal proceedings relating to product liability claims. Both actions are presently being defended by the Company's insurance company. Although the ultimate liability, if any, that might result from the final resolution of these matters is not presently determinable, management believes that the outcome will not have a material adverse effect on the Company's financial position and that insurance coverage is adequate to cover any liability which might be incurred.

14 Income taxes

The Company has available for deduction against future income, approximately $1,020,000 of tax loss carryforwards and tax costs in excess of related book costs. Of this amount, approximately $380,000 is a result of preferred and common share issue costs. When these share issue costs are utilized for tax purposes, the resulting credit will be to share capital.

15 Financial instruments

The fair value of monetary assets and liabilities are not considered to be materially different from their stated values due to the relatively short period to maturity of all significant balances. Financial derivative instruments are not used by the Company.

Interest rate risk
The Company is not exposed to significant interest rate risk with respect to interest bearing debt as the Company's debt for the most part does not bear interest.

Credit and foreign currency risk
The Company is not exposed to significant credit risk as it sells mainly to a diverse group of established distributors and users. Foreign currency risk is not considered to be significant, as the majority of the Company's non-domestic sales are denominated in U.S. dollars.

16 Comparative amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

Above: BW Personnel, Calgary
Below: ESI Personnel, England (B.W. subsidiary)

Corporate Information

Directors

Cody Slater,
Calgary

Morris Kowall,
Calgary

Daniel McGinn,
Calgary

Marc Sardachuk,
Calgary

Norman Steinberg,
Calgary

Bryan Bates,
Calgary

Thomas Jones,
Calgary

Executive Officers

Cody Slater,
President

Bryan Bates,
Executive Vice President

Thomas Jones,
Sr. Vice President & CFO

Donald Mitchell,
Director, Operations

Bankers
Bank of Montreal,
Calgary

Auditors
Price Waterhouse,
Calgary

Legal Counsel
Cook Duke Cox,
Calgary

Registrar & Transfer Agent
Montreal Trust

Alberta Stock Exchange
Trading Symbol - BWT

TECHNOLOGIES

BW

For further information:

BW Technologies Ltd.
Suite #242, 3030 - 3rd Ave. N.E.
Calgary, Alberta
T2A 6T7

Ph: (403) 248-9226
1-800-663-4164
Fax: (403) 273-3708

Alberta Stock Exchange
Trading Symbol - BWT

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